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## **Business Models for Entrepreneurship**

*Wealth and Value Creation through Strategic Entrepreneurship*

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*Publication date:*  
2014

*Document Version*  
Early version, also known as pre-print

[Link to publication from Aalborg University](#)

*Citation for published version (APA):*  
Kringelum, L. B. (2014). *Business Models for Entrepreneurship: Wealth and Value Creation through Strategic Entrepreneurship*.

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# **Business Models for Entrepreneurship:**

## *Wealth and Value Creation through Strategic Entrepreneurship*

**Louise Brøns Kringelum**

### **Abstract**

This paper presents the results of two studies conducted to challenge the fact that business modelling as a theoretical concept has mostly been demonstrated by descriptively exemplifying successful models from well-established consumer companies which has limited the scalability of insight for entrepreneurial companies. In recent years, multiple researchers have initiated compilations of these examples in archetypes of business models without showing consideration for the divergent methods and settings encompassing the initial models. Therefore, there is a need for considering the development frameworks and approaches for coupling the illustrated business models in archetypes. This is emphasised by presenting results from a study about the mapping of business models and deducing of archetypes from 22 entrepreneurial companies.

Furthermore, the question of how the business model concept is to be utilized in practice to enhance the value creation and wealth of entrepreneurial companies is often left unanswered. It is thus about time we begin to consider the objective and applicability of the insight generated by the archetypical business models.

Many researchers have stated that applying Strategic Entrepreneurship by gaining the right balance between opportunity- and advantage-seeking behaviors is essential for all companies. Therefore, the paper proceeds by presenting results from a study examining the application of the business model concept as a framework for understanding the interplay between exploration and exploitation inherent in Strategic Entrepreneurship in two entrepreneurial companies.

The objective of this interconnection is to pave the way for discussing, how the insights in archetypical business model tendencies can be of use in ensuring value and wealth and thus bring forth a normative perspective of the business model as a conceptualization of Strategic Entrepreneurship. This is operationally handled by concluding the paper with advancing a comprehensive framework including the balance of Strategic Entrepreneurship in the Business Model Canvas and further deducting this in tangible Service Design Tools which can be applied in the development of future business models to ensure optimal balancing.

## Introduction

The business model as a concept has been established around a focus on value creation and has experienced increasing attention the last decade. Although it is not particularly innovative to construct a model of how a company generally works (Nielsen 2012), it is currently one of the most discussed fields in the management literature.

There exist a variety of definitions of business models (Fielt 2011) which generally present a holistic explanation of how companies really work (Zott *et al.* 2011). This presupposes a focus on the critical connections in the value creation of the individual company which substantiates a dynamic focus on company development (Nielsen & Dane-Nielsen 2009). Such dynamic perspective is a prerequisite for development and growth in companies – a fact that is especially important for entrepreneurs. But how this is to be translated to operational contributions in the development of entrepreneurial companies has yet to be processed. As Zott & Amit proved in 2007, this is highly relevant due to the empirical link between the construction and design of business models by entrepreneurs and the performance of the companies in question.

Therefore, this paper has been composed with a focus on, how business models can be both mapped and developed in collaboration with entrepreneurial companies. It consists of two halves each representing individual case studies which were conducted in the fall of 2012 and the spring of 2013.

- The objective of the first study was to assess different approaches of mapping business models and the appertaining archetypes which can be the outcome of a mapping process. This was accomplished by mapping and evaluating the archetypical tendencies of entrepreneurial companies by conducting 22 non-interventionist case studies. The application of the business model concept was thus purely descriptive.
- Based on the results from the first study, the objective of the second study was to assess the practical foundation of the business model concept in preparation for estimating, how entrepreneurs normatively can apply the business model approach to ensure value creation and wealth understood through the concept Strategic Entrepreneurship. This was completed in close collaboration with two case companies.

The studies were accomplished in collaboration with the state authorised innovation setting NOVI Innovation, which as the other innovation settings in Denmark has been established with the purpose of enhancing entrepreneurship and growth through screening and support of business ideas with potential for commercialization.

Due to the diverse purposes of the studies, the paper is compounded on case studies executed through different methods. The first study was structured through a distanced non-interventionist case approach to the mapping of business models inspired by Yin (2003). This was primarily based on semi-structured qualitative interviews of entrepreneurs and managers of the companies concerned which consolidated the explorative nature of the study, confer Kvale & Brinkmann (2008).

With a greater focus on practical applicability, the second study was based on an interventionist approach through involvement of two portfolio companies. This study was based on methods from Action Research (Coghlan & Brannick 2005) with the aim of creating greater focus on the direct involvement in the business model development process at the individual companies concurrently with the preparation of a theoretical contribution (Lukka 2005). Due to a high degree of confidentiality, it has not been possible throughout the article to illustrate the two Action Research cycles which were accomplished with the companies, since both the results and the parallel researcher reflection includes information which is unique for the companies. Therefore, only the theoretical reflections and results which were produced throughout the study will be presented.

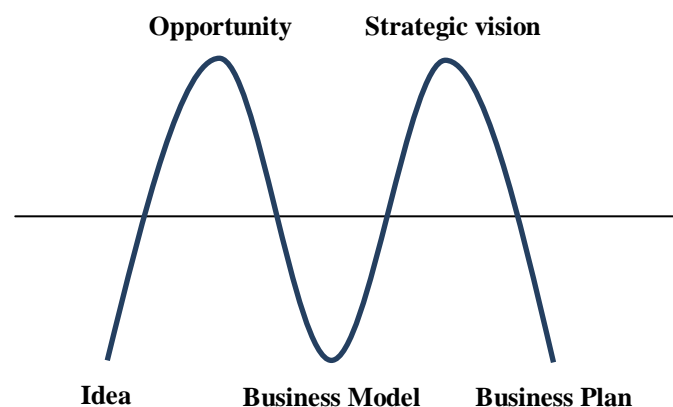
Assessed through the taxonomy presented by Lukka (2005), the two halves represent notable different approaches to the empirical intervention of the researcher while the theory linkage in both cases can be understood as a combination of theory illustration and theory development. Juxtaposing the results from different research approaches during the completion has contributed with new perspectives on the research of business models which is continuously reflected throughout the paper.

The paper proceeds as follows: first the traditional approaches to business models for entrepreneurs are presented. Based on this theoretical foundation, the first case study constructed around archetypical mapping of business models by applying the Business Model Canvas as a guiding framework is presented exemplified by one of three portfolio clusters from NOVI Innovation. The conclusions and reflections of the first study inspired the second study which was initiated to articulate the problem of deploying the business model approach to create wealth through value creation. Therefore, Strategic Entrepreneurship as a theoretical concept is presented and through this a link to business models is advanced. This theoretical coupling is further applied in diagnosing the current balance in two entrepreneurial companies through collaborative business model mapping. Finally the comprehensive framework is attempted deconstructed and operationalized by including multiple Service Design tools for structuring the development of the future intended business models.

The paper is concluded by discussing the further implications of the derived results and the expected effect on future research.

## Business Models for Entrepreneurship

Every company has a business model although it is rarely explicitly defined (Fielt 2011). The concept has, according to Osterwalder *et al.* (2005), existed since 1957 but it was not until the 1990's that the concept truly gained acceptance especially through the evolution of internet business models. Business models are interesting in correlation with entrepreneurs since they, as stated by Doganova and Eyquem-Renault (2009), with advantage can use the model as a representation of the future company for supporting the business idea and making it tangible for stakeholders.



**Figure 1:** From Idea to Business Plan  
*Source: Verstraete & Jouison-Laffitte 2009*

Verstraete & Jouison-Laffitte (2011) outline the business model as a link between the opportunities of companies, their strategic vision, and the business plan. Thereby, they present it as a concept which can be applied in the articulation of the fundamental structures of the company. Even though the process for the individual entrepreneur will rarely proceed as linear and rigorous as put forward in figure 1, it still presents a critical perspective on the traditional focus on the business plan. According to Blank (2013) and Nielsen & Dane-Nielsen (2009) the business plan will rather often merely present a static description of the business in its start-up phase and thus rarely survive the initial contact with the dynamic market. Therefore, entrepreneurs should to a greater extent focus on identifying and explaining the hypotheses behind the company in their business model (Blank 2013) and use this in facilitating a mutual understanding both internally and externally

The evolution of the business model concept has, according to Osterwalder *et al.* (2005), happened through several stages of development. The research has evolved from an initial focus on the definition of the concept to a greater focus on the components which are included in differing understandings and how the interplay between these function through generic frameworks. But in spite of the significant

development in field, consensus on definition, components, and the scope of the concept is non-existent (Shafer *et al.* 2005; Taran 2012).

On the basis of this, the research has moved towards illustrating archetypes and classifications of business models (Fielt 2011). Archetypes represent generic patterns which are exposed through illustration and analysis of business models. It does not have to be a complete business models but can simply represent links between a few components, which can then be used as inspiration or in generating understanding of the concept (Osterwalder & Pigneur 2009).

Related to this, references are often made to abstract representations such as the Freemium-model (Osterwalder & Pigneur 2009) or specific archetypes developed around existing companies such as Southwest Airlines (Morris *et al.* 2005) and Gillette (Picker 2010). These examples are said to hold a great communicative value and thus create a simple, intuitive understanding of what a business model is. This assumption was confirmed during the workshop ICI (2013), where tangible examples of business model archetypes facilitated the comprehension of the concept for participants who did not hold preceding theoretical insight.

But despite the significant advantages, the research in business model archetypes has been limited. Furthermore, the studies currently available are rarely based on well-documented frameworks for business models which has caused a shortage and general inadequacy of the systematic scientific research in the field.

### **Case study 1: Archetypical Business Models for Entrepreneurship**

Therefore, the main purpose of the first study was to map the business models of the portfolio companies in NOVI Innovation for the purpose of developing the knowledge of archetypical mapping of relations in the business models of entrepreneurial companies. The objective was to evaluate, how the mapping can be structured optimally and furthermore asses the practicability of the generated knowledge in supporting the development and growth of the companies.

The portfolio of NOVI Innovation currently consists of 41 companies of which 22 were included in the first study as representative of the existing division in the three industry clusters: Lifescience, Cleantech and ICT. The 22 companies were selected across different life cycle stages, with various numbers of employees, and from zero to DKK 12 million in turnover. Initially, the mapping was further categorised by applying the industrial classification codes as a segmentation device but due to a high degree of comparability in the industry clusters this approach was rejected at the early stages of the study. For the

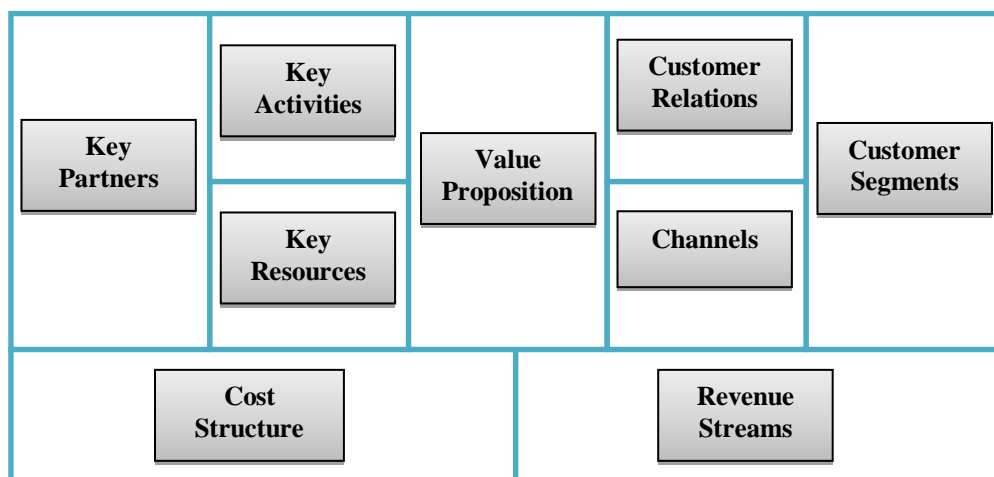
exemplification of the process and the results, the conclusions based on the ICT cluster is presented throughout the paper, as it represents the companies involved in the second study.

### ***Theoretical frame of reference: Business Models***

For structuring the mapping, the Business Model Canvas from Osterwalder & Pigneur (2009) was chosen as the guiding framework amongst several generic frameworks of business models including: The Entrepreneur's Business Model (Morris *et al.* 2005), the GRS-model (Verstraete & Jouison-Laffitte 2011), e3-value (Gordijn & Akkermans 2001), and The Four-Box Business Model (Johnson 2010).

It was singled out due to the elaborate review of building blocks which represent the components the model consists of and the consistent focus on the interrelations between these. The Business Model Canvas was originally based on the business model ontology presented by Osterwalder (2004) which was compiled by deductive collocation of diverging areas in business model research and additional strategic approaches.

In their practice oriented handbook, Osterwalder & Pigneur (2009) employ the Business Model Canvas as a descriptive tool for outlining and developing business models. The applicability of this framework is therefore deemed high, since it advances the presentation and communication about business models (Fielt 2011). Thus, the framework can contribute in creating insight into the use of business models for entrepreneurs by visually outlining and expressing the correlations that are relevant and interesting in newly established knowledge intensive companies.



**Figure 2:** The Business Model Canvas  
*Source: Osterwalder & Pigneur (2009)*

Prior to the mapping of the existing (AS-IS) business models of the portfolio companies, the theoretical presentation of the Business Model Canvas was divided in two halves. The purpose of this was to ensure a distinction between the revenue generating and the cost generating components. Therefore, the framework was divided in a front-end (right side), which represents the customer segments, the contact with these, and the value extraction. The other side was denominated back-end (left side), and represents the key activities and – resources which generate the costs and thus support the value creation. A similar approach has later been presented by Osterwalder (2013), who compares the division with the difference of activities on stage and back stage at a theatre.

### ***Research Method***

Based on this theoretical frame of reference, the study was initiated through the completion of 22 interviews with the entrepreneurs behind and managers of the portfolio companies. These were conducted as semi structured interviews based on questions derived from a review of the building blocks in the Business Model Canvas. Each interview was attended by two researchers, one with the role of primary interviewer and the other as companion with the primary assignment of mapping the business model concerned on a Business Model Canvas template simultaneously with the interview.

The respondents were thus not directly introduced to the framework or the business model as a theoretical concept but solely questioned about the day-to-day operation and the structure and foundation of the company in question. This approach can therefore have had an influence on the reliability of the results due to the interpretation of the respondents' answers according to the sub groups of the Business Model Canvas.

The following illustrated results are based on in-depth interviews with 9 of the 17 ICT companies in NOVI Innovation which are engaged in information- and communication technology. The common denominator of these 9 companies is that they develop and sell software or technology for use in other companies which makes their interactions mostly business-to-business.

Table 1 depicts the companion's concurrent mapping of the business models structured by the sub groups defined by Osterwalder & Pigneur (2009) in relation to the primary building blocks. Based on these results it was possible to mark and map the individual characteristics of the companies which resulted in nine customized business models. Due to confidentiality, these illustrations can unfortunately not be depicted in the current paper.



	Company A	Company B	Company C	Company D	Company E
Customer Segments	Segmented	Niche market	Niche market	Niche market	Segmented
Value Propositions	Customization	Customization	Customization	Customization	Customization
Channels	Direct sale/Partner	Direct sale/Partner	Direct sale/Partner	Direct sale	Partner
Customer Relationships	Co-creation	Co-crea/Pers. Ass.	Co-creation	-	Co-crea/Pers. Ass.
Revenue Streams	Licensing	Licensing	Licensing/Service	Licensing	Licensing
Key Resources	Int./Human	Human	Human	Human	Human
Key Activities	Product development	Prod. Dev./Sale	Prod. Dev./Service	Sale	Prod. Dev./Sale
Key Partners	Strategical	Strategical	Strategical	Strategical	Strategical
Cost Structure	Value-driven	Value-driven	Value-driven	Value-driven	Value-driven

	Company F	Company G	Company H	Company I
Customer Segments	Segmented	Niche market	Segmented	Niche market
Value Propositions	Customization	Customization	Customization	Cost reduction
Channels	Direct sale/Partner	Direct sale/Partner	Direct sale/Partner	Direct sale/Partner
Customer Relationships	Co-creation	Co-crea./Automated	Co-creation	-
Revenue Streams	Licensing/Service	Asset sale	Licensing/Service	Usage fee
Key Resources	Int./Human	Human	Human	Human
Key Activities	Prod. Dev./Sale	Product development	Prod. Dev./Service	Prod. Dev./Sale
Key Partners	Strategical	Strategical	Strategical	Strategical
Cost Structure	Value-driven	Value-driven	Value-driven	Value-driven

**Table 1:** Categorizing the building blocks of the portfolio companies

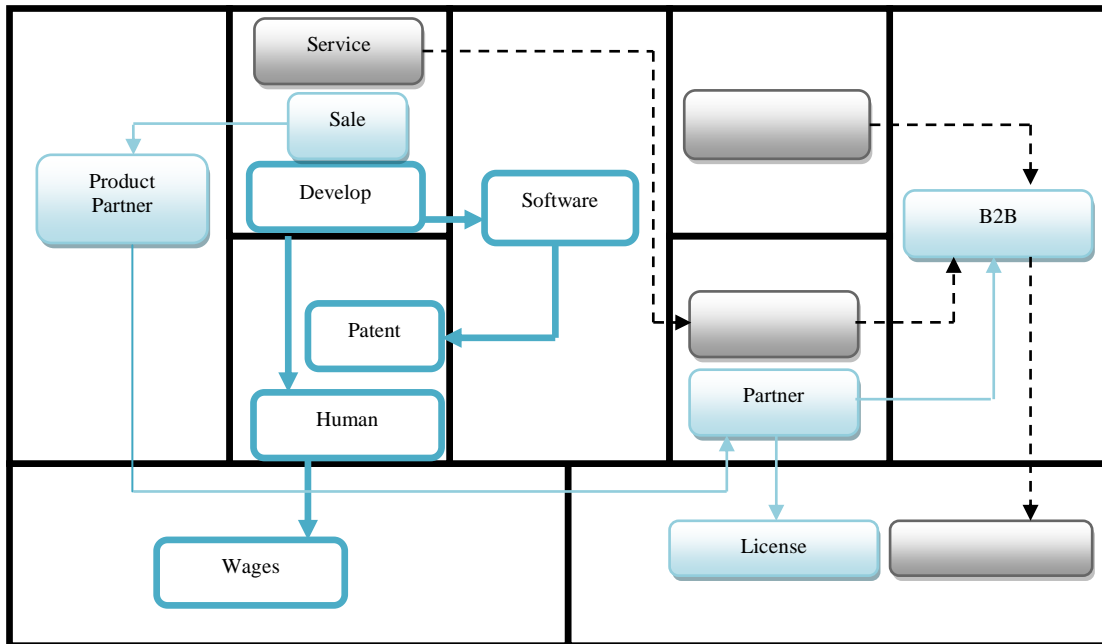
Source: Based on own research

Based on the nine illustrated business models it was possible to compile the data and thus facilitate an assessment of the critical characteristics for this industry cluster. The results of this process are presented in figure 3, which displays the archetypical tendencies found in the business models of the ICT industry cluster.

The advanced ICT archetype, confer figure 3, is characterised by an extensive inclusion of product partners who incorporate the value proposition of the archetype in its own product portfolio and subsequently sell the incorporated product to an end customer. This can be categorized as a B2B2C-relation. This relation appeared throughout the individual business models to be critical to ensure the distribution of the products developed by the portfolio companies.

After the initial sale, the archetypical tendency is to be involved in ensuring that the software in the product can be adapted to the specific requirements of the customer. Through this direct contact between end customer and archetype, an interesting linkage is created since the archetypical tendencies show that the portfolio companies in several instances exploit the possibility of initiating a service relation to the end customer by bypassing the product partner. This represents the secondary possibility

of creating value for the customer as they hereby can utilise the specialized product knowledge of the human capital and thus provide a service that the product partner cannot substitute.



**Figure 3: ICT Archetype**  
Source: Based on own research

### ***Reflection on the archetypical mapping***

The concurrent interview mapping and the following analysis revealed evident convergence between the building blocks internally in the three industry clusters as exemplified by the above mentioned ICT cluster and archetype. However, a cross analysis of the different industry clusters indicated that the characteristics of the value proposition in the business models rather than the cluster affiliation determined the archetypical tendencies. It appeared that the value propositions of the portfolio companies, dependent on whether it is software, technology intended for further implementation, or a finished product ready for the end customer, has a crucial influence on the tendencies found in the business model.

Throughout the study, the Business Model Canvas served as a practical tool for the descriptive mapping of the business models primarily due to the overall visual arrangement of the information. However, the framework did also cause interesting challenges which can create implications when entrepreneurs apply the framework singlehandedly and also for the future research based on this.

- Osterwalder & Pigneur (2009) state that the customer segment is the cornerstone of the business model since this building block determines the value creation. But results throughout the study

indicated that entrepreneurial companies often initiate the start-up with development of a technology or software and then secondly consider which segment the value proposition can create value for. This observation reflects one of the unique characteristics in the analysis of entrepreneurial companies and a major pitfall in the application of the Business Model Canvas.

- The application of the sub groups developed by Osterwalder & Pigneur (2009) for structuring the answers from the respondents consolidated the comparability of the business models. But due to the limited frame established around each building block, this can at times cause a problematic simplification. Especially the categorization of the key activities appeared poor in the context of this study and was therefore substituted with other concepts. This problem must be highlighted since the use of the framework exclusively by applying the guiding classification can lead to generalization and insufficient results.
- The general position of the portfolio companies in the value chain created some interesting problems with the use of the Business Model Canvas, since it has mostly been exemplified in consumer centric companies. This complicates the use in companies that to a greater extent supply other companies or partners. Therefore, the mapping of the relations between the building blocks: key partners, channels, customer segments, and customer relations appeared quite complex throughout the study and the lack of examples with a similar approach does not promote the use of the Business Model Canvas in entrepreneurial business-to-business companies.

Since the theorised mapping of the business models in the portfolio companies was performed through dissociate empirical observations on the basis of the conducted interviews, it was not possible to validate whether these were consistent with the entrepreneurs' understanding of their implicit business models. As the structure of the archetypes were thus mapped and subjectively processed by the researcher, the reliability of these appears limited although the deployment of sub groups might have limited the researcher impact on the results.

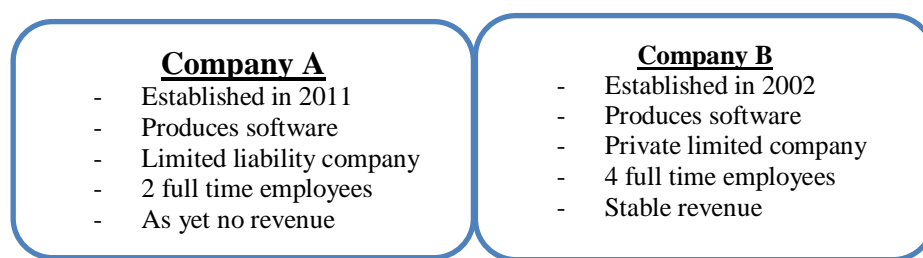
Other than the communicative perspective, which illustrates the business model approach through the archetypes, the specific purpose of outlining these is rarely emphasised. The purpose of the first study was not to define archetypes for all entrepreneurial companies but rather to document an approach to how archetypical tendencies in entrepreneurial companies can be mapped and analysed.

The study proved successful despite the problematics mentioned above. But this inductive descriptive collocation generated a series of new questions – because which applicability does this insight have for entrepreneurial companies in practice? And how can business models and the archetypical tendencies be of use in securing development and growth in these companies?

The idea generation for how to process these question academically was initiated by using the definition from Osterwalder & Pigneur (2013) describing the Business Model Canvas as “... *a strategic management and entrepreneurial tool*” as a starting point. The connection between Strategic Management and Entrepreneurship has in recent years been emphasised by the theoretical concept Strategic Entrepreneurship as an approach for ensuring value creation and wealth in companies. Therefore, the second study was initiated with a view to exploring, how Strategic Entrepreneurship as a theoretical concept might support the understanding and diversity in applying the business model concept and thus create a framework for guiding the developments necessary for the future growth in entrepreneurial companies.

## Case study 2: Strategic Entrepreneurship through Business Models

In line with the increased focus on how companies in practice should use and develop business models operationally, the second study was based on collaboration with two portfolio companies from the ICT cluster which were included in the empirical basis for constructing the archetype presented in figure 3. The assumption ahead of the study was that due to the categorization in the same archetype, the companies would experience relatively identical problems in handling and developing their business models and thus be able to benefit from applying comparable approaches to the management of these in ensuring development and growth. Due to the close collaboration with the entrepreneurs and the practical development of their business models only the general results and observations will be reproduced in the second half of the paper to ensure confidentiality.



**Figure 4: Supplementary company information**

*Source: Based on own research*

### ***Theoretical Frame of Reference: Strategic Entrepreneurship***

Strategic Entrepreneurship is a relatively new concept (Rensburg 2013) and is, according to Hitt *et al.* (2011), an approach for creating optimal financial performance and growth in companies. The concept emerged through a combination of the theoretical fields: Entrepreneurship and Strategic management,

which have developed independently of each other though both are founded on companies focusing on handling and exploiting changes in their surroundings.

The core of this theoretical combination is to create a balance of the complementarities in the opportunity-seeking entrepreneurial behaviour and the strategic advantage-seeking behaviour of companies. This can further be articulated by distinguishing between the terms *exploitation* and *exploration*, concepts which should be combined and balanced individually for each company (Ireland & Webb 2007). If the optimum balance between these is established, it creates the possibility of generating maximum value creation and thus wealth for the company (Kuratko & Audretsch 2009). This emphasises the evident diverging focus areas which make Strategic Entrepreneurship a melting pot of actions companies should include in their operation.

The concept creates awareness of problems which are especially apparent in newly established entrepreneurial companies since these are often centred around examination and identification of opportunities while the following exploitation of the competitive advantages and thus the commercialization of the idea often fail to happen (Ireland *et al.* 2003). But how this tension, between the continual exploitation of the existing competitive advantages and the concurrent exploration of the innovations which are to be transformed to advantages of the future, should be handled (Ireland & Webb 2007) is rarely treated in the academic literature which has limited the practical and operational applicability of the concept.

The lacking practical foundation is further exacerbated by the fact that Strategic Entrepreneurship is often portrayed as a general and uncomplicated theory (Kyrgidou & Hughes 2009; Luke *et al.* 2010). Therefore, the current research has not empirically illustrated how these trends should be actively applied in the companies to create the aforementioned advantages (Rensburg 2013). This seems problematic since an imbalance in the concept is said to induce inefficiency (Ketchen *et al.* 2007). It is thus important that companies are prepared to manage the underlying ambidexterity inherent in the opportunity- and advantage-seeking behaviour. This presupposes that companies are capable of adjusting the internal resource orchestration (Hitt *et al.* 2011; Sirmon *et al.* 2011), but there exist no guidelines for how this should be handled.

The second study was thus based on the assumption that the development and management of business models would be a positive resource in balancing the conflicting tendencies and be able to support the future wealth and value creation in entrepreneurial companies.

Therefore, involving Strategic Entrepreneurship, which represents the linkage of Strategic Management and Entrepreneurship, appeared as an obvious theoretical agent for developing a normative perspective on the traditionally descriptive Business Model Canvas.

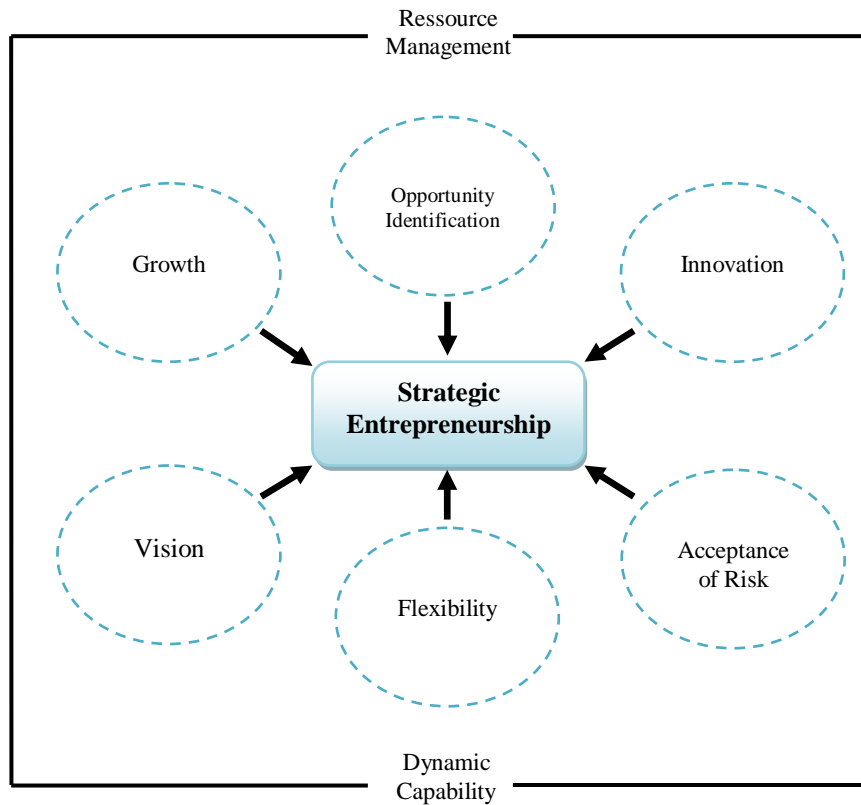
A similar approach to the collocation of business models and Strategic Entrepreneurship does not yet exist even though Sirmon *et al.* (2011) have highlighted that the resource orchestration of newly established companies, which is a pivotal point in Strategic Entrepreneurship, must support the business models of the company.

### ***Frameworks for Strategic Entrepreneurship***

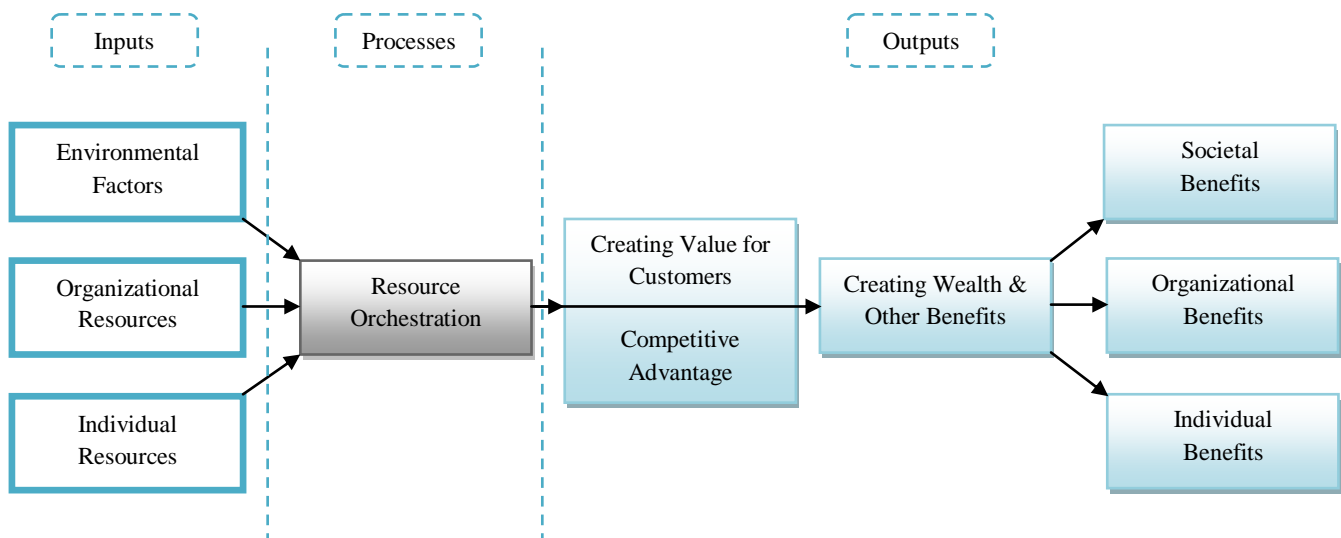
Throughout the past 15 years different frameworks have been developed in trying to outline the tangible elements of Strategic Entrepreneurship. But since the concept has mostly been used as a theoretical term, the development has entailed some inconsistencies due to the development of diverging theoretical starting points and subjective emphasis (Luke *et al.* 2010). The first frameworks presented by Ireland *et al.* (2003) appear quite simplified and are often critiqued for being too linear and sequential and thus not able to capture the complex value creation which is inherent in the concept Strategic Entrepreneurship (Kyrgidou & Hughes 2009).

The second study was thus based on two newer frameworks of Strategic Entrepreneurship, confer figure 5 and 6. Kyrgidou & Hughes (2009) defined eight components which can be regarded as the fundamental characteristics of Strategic Entrepreneurship. Individually they reflect the strategic positioning of the company regarding internal or external factors and together they create a complex system of Strategic Entrepreneurship. Should some components be out of step with the others, this can lead to inefficiency and result in further elements working against the process. Furthermore, they can be applied as benchmarks in the comparison of the existing activities of the company comparative to the more entrepreneurial and strategic activities that can be relevant to highlight. Therefore, the components of Strategic Entrepreneurship, confer figure 5, were applied in the diagnosing of the current balance in the companies concerned.

Furthermore, the most recent framework from Hitt *et al.* (2011), the Input-Process-Output model, was included for supplementing the components since this represents the comprehensive process both internally and externally which is affected through Strategic Entrepreneurship. This framework distinguishes between three dimensions: resources/inputs, resource orchestrating processes and outputs. Alongside this the environmental, organizational and individual components of the dynamical process of simultaneous opportunity- and advantage-seeking behaviour is included.



**Figure 5:** The Components of Strategic Entrepreneurship  
 Source: Kyrgidou & Hughes (2009)

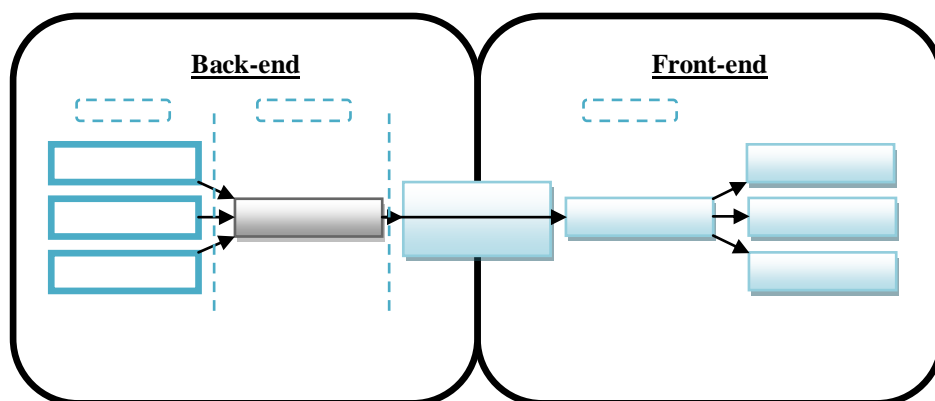


**Figure 6:** The Input-Process-Output Model of Strategic Entrepreneurship  
 Source: Hitt et al. (2011)

As depicted in figure 6, Entrepreneurship and Strategic Management causes different outputs through the resource orchestration which is why they create different prerequisites and appertaining outcomes in companies. Entrepreneurship requires flexibility and innovation while Strategic Management requires stability and predictability. This places great demands on the organizational structure since the companies with limited resources must prioritise this duality. Nevertheless, no examination of the characteristics of this desirable structure exist (Hitt *et al.* 2011).

Even though Strategic Entrepreneurship appears as a normative theory trying to advance how a company can apply the best features from the opportunity-seeking behaviour, *exploration*, and the advantage-seeking behaviour, *exploitation*, it lacks focus on how the balancing of these concepts operationally should be carried out. Therefore, the involvement of the business model, as a practical founded framework for understanding the internal processes of the company seems optimal in preparation for composing a plausible approach to how Strategic Entrepreneurship can be applied in entrepreneurial companies.

The study was founded on recombining the primary frameworks: the Business Model Canvas (Osterwalder & Pigneur 2009) and the IPO-model (Hitt *et al.* 2011). As demonstrated with the Business Model Canvas the IPO-model can also be divided in back- and front-end. The key resources, processes, and activities that drive the costs behind the competitive advantages are represented by the input back-end while the revenue is generated through value creation for the customer segments and the output front-end. In the IPO-model the back- and front-end are connected by the process component “resource orchestration” which encompass resource management and asset orchestration (Sirmon *et al.* 2011). The entire model is based on this orchestration of resources functioning optimally. The interesting part of the interrelation of these concepts is therefore, how entrepreneurs can include this seemingly crucial perspective when it is situated as a black-box in the model.



**Figure 7:** Front-end & Back-end with reference to the IPO-model  
Source: Based on own research



Sirmon *et al.* (2011) emphasise that the development of a unique business model is a part of the resource orchestration in companies. The business model therefore appears at multiple levels as an ideal perspective for managing, how the resource orchestration and the coupling of inputs and outputs can be articulated and applied in entrepreneurial companies. Thus supporting the assumption that the Business Model Canvas could contribute in making the black-box and thereby the balancing of Strategic Entrepreneurship more practically founded, and in doing so assist the entrepreneurs in balancing the conflicting tendencies.

In practice, the study was initiated with a mapping of the AS-IS business models in the selected companies. The purpose was to diagnose the current balance of the opportunity- and advantage-seeking behaviours in the companies evaluated through the components from Kyrgidou & Hughes and the IPO-model (Hitt *et al.* 2011).

### ***AS-IS Business Models***

Contrary to the first study where the focus was on mapping the archetypical business models among the portfolio companies through non-interventionist case studies, the objective of the second study was to a greater extent establishing a collaboration with the two entrepreneurs and be included in the development of their business models. The expectation was to create insight into whether the archetypical tendencies could be of further use in the balancing of Strategic Entrepreneurship and thus in the future development of the companies.

Throughout the first study the entrepreneurs were not introduced to the Business Model Canvas which was primarily used as an interview template and framework for the following distanced theorizing. This influenced the mapping of the individual business models since the entrepreneurs had limited knowledge of the underlying causes and coupling between the different questions. Nevertheless the results of the first study succeeded in mirroring comprehensive business models for most companies included.

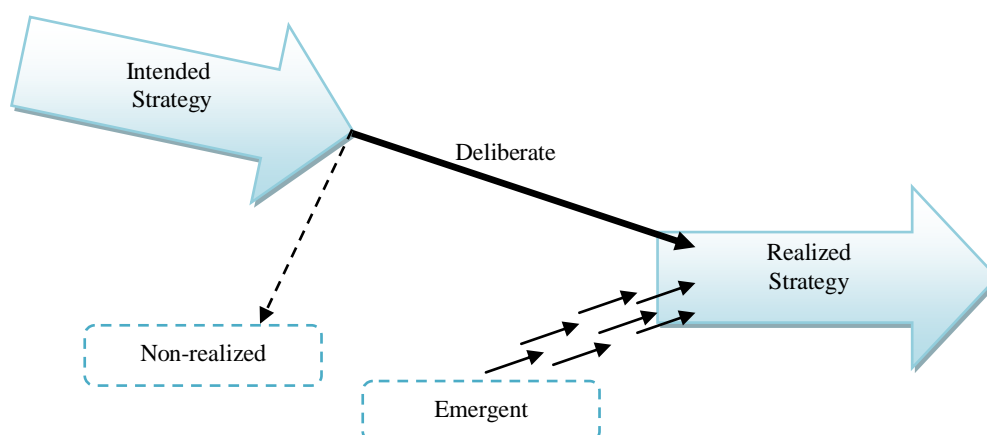
By initiating the second study with mapping the current business models in collaboration with the entrepreneurs, it was possible to increase the entrepreneur's knowledge of the business model concept and through this process validate the observations and results from the previous study. In practice this was accomplished by presenting the business model concept illustrated by chosen archetypes such as Gillette and Skype.

Based on this introduction, the mapping was performed by using questions based on the Business Model Canvas. These were visually pasted on a poster in front of the entrepreneurs in order to create a continuous focus on the interrelations of the questions which were outlined for each individual building block. The segmentation of the building blocks was composed since application of the Business Model Canvas can, in some instances, create information overload with the respondent, a point which became especially evident at the Invio entrepreneurial business model workshop (2013).

By applying this approach for mapping the current business model, it was possible to outline the entrepreneurs' own understanding of the business model describes in their own words and joined through the visual coupling of the individual building blocks. Compared to the business models developed through the first study by theorizing the responses of the entrepreneurs, the results of the second collaborative approach proved certain pitfalls in the initial approach.

In the first study, the interviews of the entrepreneurs all lead to the mapping of complete business models. But the collaborative mapping in the second study reflected more fragmented business models in which the building blocks were not all included. This was especially evident in the case of company A which is still in the establishing start-up phase. These results thus reflected a stark contrast to the answers from the entrepreneurs and the concurrent mapping of the first study.

By retrospectively including the results from the first study it appeared complex for the entrepreneurs to distinguish between the elements of the business model which are currently realised and implemented comparative to future intended elements. This shortcoming of the study was initially not identified due to the detached theorizing and the lack of validation in the first study. But this interesting observation found through a comparison of the individual results can further be outlined by applying the traditional distinction of realised and intended strategies in a company as presented by Mintzberg (1978). A similar perspective has been highlighted by Costa & Levie (2012) in their study of business models in newly established companies, confer figure 8.



**Figure 8:** The distinction between intended and realized strategies  
*Source: Mintzberg (1978)*

If the intended elements are prematurely included in the assessment and development of a business model it can create unnecessary complexity and reduce the prospective output of the further development of the business model. Handling this distinction is thus crucial in both the research and the practical application of the concept for entrepreneurs. The collaborative interventionist approach for the mapping therefore appears as the optimum way of reflecting the realised business models of the entrepreneurial companies since this ensures validation through continual assessment and evaluation by the participants.

### ***Balancing Strategic Entrepreneurship***

Based on the collaboratively mapped business models, it was possible to weigh the internal balancing of Strategic Entrepreneurship in the two companies by applying the components from Kyrgidou & Hughes (2009), confer figure 5.

For company A this revealed a significant focus on the entrepreneurial elements of the business model through an opportunity-seeking behaviour while Strategic Management was neglected which according to Ketchen *et al.* (2007) can create inefficiency through disequilibrium. This company illustrates a tendency which, according to Ireland *et al.* (2003) and Blank (2013), is expected in entrepreneurial companies since the focus will often be on scanning new opportunities and thus a lack of commercialization.

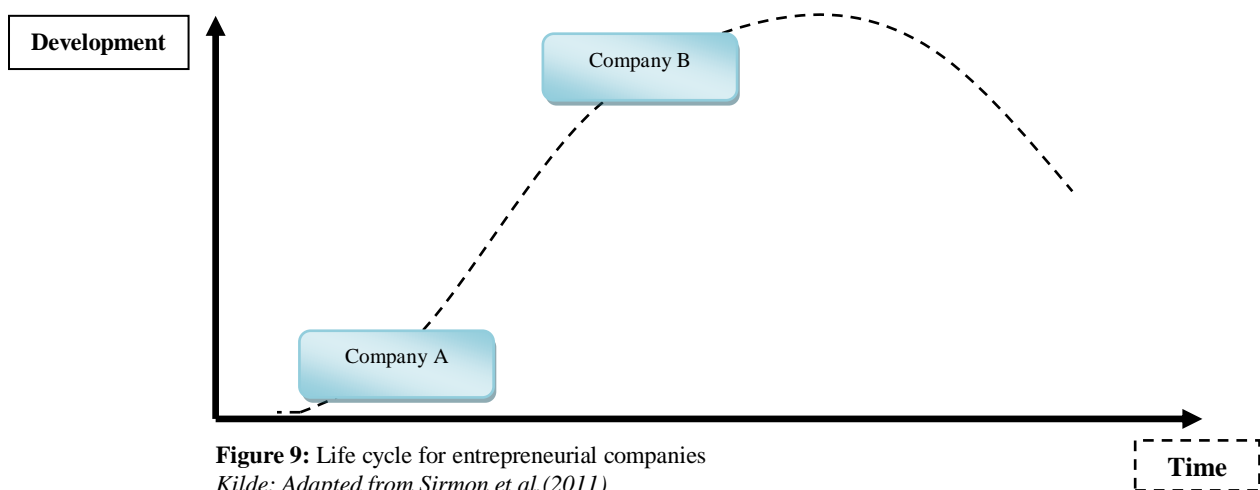
For company B the analysis showed a greater extent of balance in the components of Strategic Entrepreneurship due to a continuous identification of possibilities and commercial exploitation of the market potential. But to create future growth in the company, it is essential to consolidate an optimal balance between the opportunity-seeking and the advantage-seeking behaviour weighted in relation to the current development phase of the company. This should therefore be included in the future potential changes which are currently considered in relation to partner structure for the purpose of creating a renewal of the business model. Regarding established companies this step is recommended to ensure future growth (Sosna *et al.* 2011).

Evaluating the components contributed in the assessment of the management and balancing of Strategic Entrepreneurship in the companies through the IPO-model (Hitt *et al.* 2011). Through this process it became evident that company A had established a clear overview of the possible inputs for the process but had yet to achieve clarity of what the company wishes to create regarding both competitive advantages for themselves and value creation for the potential customers. This complicates the necessary resource orchestration which additionally limits the opportunities for strategic development and growth.

In company B there seemed to be a natural balance considered through the IPO-model which might be the reason for the stable growth the company has experienced in recent years. But to ensure additional development through a new partner structure the company should further enhance the opportunity-seeking behaviour through resource orchestration.

When these problematics are juxtaposed with the perspectives of the business model theory exemplified by the Business Model Canvas, confer figure 2, it means that the most significant focus area for company A should be front-end since they have many unsolved questions which should be handled before the currently realised business model can be further developed. Company B should rather redefine the business model through a new approach to the partner structure which most likely will bring about further development of the future opportunities in the company which presupposes handling and linking of building blocks both back-end and front-end.

These problems concluded by the mapping of the business models through the Business Model Canvas reflect the perspectives of Sirmon *et al.* (2011) who state that companies depending of their life cycle phase have different needs regarding the balancing of Strategic Entrepreneurship.



The results thus reflect that even though the companies in the first study were unified by the same archetypical tendencies this does not have any influence on their handling and needs regarding the balancing of the conflicting elements of Strategic Entrepreneurship. This insight can be used in questioning the applicability of the archetypical constructions which generally play a large role in the research of business models. Even though the intended business models of the entrepreneurs archetypically appear associated, the studies proved that diverging problems in the realised models can exist.

Since the archetypical business models cannot be utilised in diagnosing the need for balancing Strategic Entrepreneurship in entrepreneurial companies, the question of how business models can be applied in ensuring the optimum balance through development and handling the imbalances is still standing. According to Costa & Levie (2012) and Osterwalder & Pigneur (2009) it can, in such cases, be relevant to apply a more disaggregated approach to handling the interdependence between the different building blocks in the business model. An approach to this could be to include the multiple techniques and methods which have been consolidated in the term: Service Design.

### ***Service Design***

Service Design is a relatively new phenomenon which has experienced an increased attention in recent years (Stickdorn & Schneider 2012). It can be regarded as an interdisciplinary approach which combines methods and tools from different disciplines for the purpose of developing the interface between companies and customers (Mager 2009; Moritz 2005).

Service Design is generally put forward as a frame for understanding value creation and relations between participants and organisations (Kimbell 2012).

The foundation of the concept indicates that the Service Design approach with advantage can be applied in the development of business models (Rajala 2011). Such a disaggregated approach for handling the different building blocks can, according to Osterwalder & Pigneur (2009), contribute in making the design process more efficient and thus induce stronger and more innovative business models.

Even though the literary background of Service Design has evolved in recent years, the practical applicability of the different tools is still incipient (Kimbell & Seidel 2008). Only a few examples exist of how Service Design can be applied in the development of business models. That is why it is interesting to consider how entrepreneurial companies in different stages can develop their business models by applying Service Design Tools and with it include Strategic Entrepreneurship as a more normative approach to the descriptive application of the Business Model Canvas.

Since there does not exist any guidelines for which Service Design Tools to apply in specific business development scenarios, figure 10 has been advanced through an inductive grouping of 32 different Service Design Tools. The figure was composed by using multiple design-hubs and fora of service- and business development (Business Design Tools 2013; Service Design Tools 2013). In this process each Service Design Tool was evaluated in relation to which building blocks the tool in question could contribute in handling in-depth and developing further.

The objective of the figure was thus to create an indication of which tools to apply in handling specific problems mapped through an AS-IS business model with the purpose of developing a TO-BE business model. Throughout the development it however appeared more complicated than presumed beforehand



The aim of advancing figure 10 was thus to create a framework for deductively selecting applicable Service Design Tools for handling the problems which emerge during business model development to ensure an optimal balance of the conflicting tendencies in Strategic Entrepreneurship.

This approach was tested in the two entrepreneurial companies with a focus on handling the building blocks which through the first half of the second study were highlighted as inadequate comparative to the components of Strategic Entrepreneurship.

The chosen tools were applied in workshops with the two entrepreneurs and contributed in creating insight into the current opportunities and potential solution for the problems experienced in the business models of the companies. The practical collaboration with the entrepreneurs concerning the mapping of the existing and development of the potential future business models contributed in creating an insight into how business models operationally can be developed by applying Service Design.

The experience throughout the workshops was that the coupling of the Business Model Canvas and the individual Service Design Tools as presented in figure 10 worked optimally for choosing the relevant tools for the different companies. The figure and the process therefore together represent a plausible approach for this selection and development process. However, it presupposes a thorough insight and knowledge about the current balance in the company which it can be recommended to obtain through collaborative mapping of the AS-IS business model. Although figure 10 does not encompass all existing Service Design Tools, it creates an interesting and innovative perspective on how business model development can be clarified and illustrated for companies and entrepreneurs especially.

## Conclusions

Questioning the applicability of archetypical insight in business models is highly necessary for creating a critical perspective on the current development in the research. The results obtained through the two individual case studies presented throughout this paper reflect a need for articulating the difference between realised and intended business models both in research and practice and the challenges this distinction create.

The development of an archetype for the ICT portfolio in NOVI Innovation through application of the Business Model Canvas reflected multiple comparable tendencies among the entrepreneurial companies and some interesting pitfalls in the process including a lack of customer focus and challenges concerning the position in the value chain. But compared to the collaborative mapping of the AS-IS

business models in the second study the results reflected some divergence. Due to the non-interventionist approach with a lack of validation, the archetype erroneously included intended components from the business models of the entrepreneurs which lead to involvement of elements which are yet to be realised.

On the contrary, the collaborative mapping induced reflection on the realised business models for the companies. As a result this approach contributed in reflecting the existing pitfalls of non-interventionist mapping of business models, an observation which can be crucial to the practical development of business models for entrepreneurs.

Archetypical business models can thus generate negligence of critical individual facets at the individual company. This assumption was further strengthened by the analysis of the balancing of Strategic Entrepreneurship in two chosen companies who, despite belonging to the same archetype, experienced significantly differing challenges due to positions in different development phases.

As shown throughout the second study, the balancing of Strategic Entrepreneurship can be assessed through the components from Kyrgidou & Hughes (2009). This can create an insight into the existing balancing and possible inadequacy of the company. Based on this evaluation the coupling of the IPO-model (Hitt *et al.* 2011) and the Business Model Canvas (Osterwalder & Pigneur 2009), confer figure 7, can be used in identifying areas which through the coupling to Service Design can be handled through different exercises and tools.

The development of figure 10 as an inductive integration of the Business Model Canvas and the multiple Service Design Tools exemplifies a plausible process for how Strategic Entrepreneurship can be evaluated and balanced through business model development. This creates an interesting contribution to the practical application and development of business models for entrepreneurs. Coupled with Strategic Entrepreneurship this creates, through involvement of the interrelationship between *exploration* and *exploitation*, a more normative perspective on the development process. This perspective should therefore be developed and promoted further in practice.

Due to the presentation of the Business Model Canvas by Osterwalder & Pigneur as a tool for advancing both Entrepreneurship and Strategic Management this appeared as the optimal framework for structuring the operational balancing of Strategic Entrepreneurship. However, the possibility of involving other theoretical perspectives with similar strategic approaches for creating an alternative approach to handling the theoretical concept is by no means dismissed

The general conclusions and results of this article must therefore not be regarded as the final solution as to how Strategic Entrepreneurship should be utilised practically but rather as an inspirations for how



existing perspectives can contribute in operationalizing theoretical knowledge. Thus, the conclusions of the article should not be regarded as comprehensive results of the empirical foundation of Strategic Entrepreneurship through business models or the optimum formula for entrepreneurial companies. They rather reflect examples of how distanced theorising of the balancing of Strategic Entrepreneurship can be handled through the business model theory understood by the Business Model Canvas. The current results therefore present usable perspectives in the application of the Business Model Canvas in entrepreneurial companies concurrently with interesting guidelines for the future research in the field including more Action Research in the business model development process in entrepreneurial companies and more focus on the possibilities for and advantages of balancing Strategic Entrepreneurship.

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